

Item 1 Title Page



# APO Financial Services, LLC

Part 2A of Form ADV: Firm Brochure  
SEC File Number: 297647

**Dated: October 13, 2021**

720-588-2000

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**This Brochure provides information about the qualifications and business practices of APO Financial Services, LLC (“APO”). If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer Brian E. Gray at 720-588-2000 or via email at [brian@apofinancial.com](mailto:brian@apofinancial.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about APO Financial Services also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**References herein to APO Financial Services as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.**

## **Item 2           Material Changes**

This item discusses specific material changes to the APO Financial Services, LLC Disclosure Brochure. Throughout this Disclosure Brochure, APO Financial Services, LLC is referred to as “APO.” Pursuant to current SEC Rules, APO will ensure that clients receive a summary of any material changes to this and subsequent Disclosure Brochures within 120 days of the close of APO’s fiscal year which occurs at the end of the calendar year. APO may further provide other ongoing disclosure information about material changes as necessary. APO may also provide clients with a new disclosure brochure as necessary based on changes or new information, at any time, without charge.

**There have been no material changes since our last filing on March 31, 2020.**

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#### **Item 4            APO Financial Services Business**

APO Financial Services, LLC (“APO”) is a Colorado Limited Liability Company formed on June 1, 2018 owned equally by John M. Goodhue and Brian E. Gray, registered as an Investment Advisor with the Securities and Exchange Commission.

APO provides the following services:

**Investment Advisory Portfolio Management.** APO provides ongoing discretionary portfolio management services to individuals, families and businesses. When providing portfolio management services, the firm not only makes recommendations related to investments, but also implements these recommendations and provides ongoing monitoring and reporting. Each portfolio is tailored to the individual needs of a particular client (whether an individual, a family or a business) through an assessment conducted prior to an engagement. Clients may impose restrictions related to the level of discretion granted, the types of investments used, etc. Clients that determine to engage APO on a non-discretionary investment basis must be willing to accept that APO cannot affect any account transactions without obtaining prior consent to any such transaction(s) from the client. Thus, in the event of a market correction during which the client is unavailable, APO will be unable to effect any account transactions (as it would for its discretionary clients) without first obtaining the client’s consent. Terms of an actual engagement, including description of service, limitations and restrictions, fees, etc., are all detailed before any engagement begins in a written client agreement.

**Financial Planning and Consulting Services.** APO provides financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a fixed fee or hourly fee basis. Prior to engaging APO to provide planning or consulting services, clients are required to enter into a *Financial Planning and Consulting Agreement* with APO setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to APO commencing services. The client always retains absolute discretion over all such implementation decisions and always has the right whether to accept or reject any recommendation from APO. **Please Note:** It remains the client’s responsibility to promptly notify APO if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising APO’s previous recommendations and/or services.

As indicated above, APO may provide financial planning and related consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither APO nor its representatives serve as an attorney or accountant, and no portion of its

services should be construed as legal or accounting advice. Accordingly, APO **does not** prepare estate planning documents or tax returns. To the extent requested by a client, APO may recommend the services of legal or tax professionals. Clients are reminded that they always have the right to decide whether to engage the services of any such recommended professional.

**Implementation of Financial Planning Recommendations.** The client retains absolute discretion over all such implementation decisions and always has the right whether to accept or reject any recommendation made by APO or its representatives or any affiliated entities. Clients may be offered insurance products through two of APO's affiliates, Asset Protect One, Inc. and/or APO Financial, Inc., Colorado licensed insurance agencies. In the event clients purchase any offered insurance products, commissions will be paid to the above insurance agencies and the licensed representative, which is a conflict of interest. APO will exercise its fiduciary duty in regard to any sale of such insurance products and clients are reminded that they always have the right to decide whether to act on any such recommendations and to purchase any insurance products from anyone they so choose. Such recommendations will only be made in the clients best interest.

**Retirement Rollovers Conflict of Interest:** If APO recommends that a client roll over their retirement plan assets into an account to be managed by APO, such a recommendation creates a conflict of interest since APO has an economic incentive to recommend that clients rollover assets from their existing plan because APO will earn a fee on the additional assets. The client has options other than rolling over the assets to an account managed by APO, including managing the assets without the assistance of APO as part of their current employer sponsored retirement plan or by rolling over the assets to an IRA. In both cases, the client would not be required to pay additional fees to APO and the client would be responsible for managing the assets on their own. The Client always has the right to decide whether or not to rollover retirement plan assets to an account managed by APO. Such recommendations will only be made in the clients best interest.

**Use of Mutual and Exchange Traded Funds:** Most mutual funds and exchange traded funds are available directly to the public. Thus, a prospective client can obtain many of the funds that may be utilized by APO independent of engaging APO as an investment. However, if a prospective client determines to do so, he/she will not receive APO's initial and ongoing investment services. **Please Note:** In addition to APO's investment fee described below, and transaction and/or custodial fees discussed below, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).

**Portfolio Activity.** APO has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment services, APO will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, account additions/withdrawals, and/or a change in the client's investment objective. Based upon these factors, there may be extended periods of time when APO determines that changes to a client's portfolio are neither necessary nor prudent. Of course, as indicated below, there can be no assurance that investment decisions made by APO will be profitable or equal any specific performance level(s)

**Please Note: Cash Positions.** At any specific point in time, depending upon perceived or anticipated market conditions/events (there being **no guarantee** that such anticipated market conditions/events will occur), APO may maintain cash positions for defensive purposes. All cash positions (money markets, etc.) shall be included as part of assets under management for purposes of calculating APO's fee.

**Client Obligations.** In performing its services, APO shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains their responsibility to promptly notify APO if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising APO's previous recommendations and/or services.

APO shall provide investment services specific to the needs of each client. Prior to providing investment services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, APO shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at any time, impose reasonable restrictions, in writing, on APO's services.

**Educational Workshops.** APO provides educational seminar sessions for those desiring information on personal finance and investing. Topics may include issues related to general financial planning, educational funding, estate planning, retirement strategies, insurance planning and various other current economic or investment topics.

**Wrap Program.** APO does not participate in a wrap fee program.

**Assets Under Management.** As of February 2, 2021 total assets under management are \$112,365,531.00 on a discretionary basis. No assets are advised on a non-discretionary basis.

## **Item 5            Fees and Compensation**

APO believes that its fees are reasonable in relation to the services it provides and the fees charged by other investment advisers offering similar services. However, APO's fees may be higher than that charged by other investment advisers offering similar services.

**Portfolio Management Services.** APO provides Investment Advisory Portfolio Management on a *fee-based* basis. APO's annual investment management fee shall be prorated and paid quarterly in arrears, based upon the market value of the assets on the last day of the preceding quarter. APO's investment advisory fee is negotiable at APO's discretion, but generally ranges from negotiable up to 1.50%, depending upon various factors including but not limited to: the amount of assets to be managed; portfolio composition; the scope and complexity of the engagement; the anticipated number of meetings and servicing needs; related accounts; future earning capacity; anticipated future additional assets; the professional(s) rendering the service(s); prior relationships with APO and/or its representatives, and negotiations with the client. As a result, similarly situated clients could pay different fees and the services to be provided by APO to any particular client could be available from other advisers at lower fees.

Clients may elect to have APO's fees deducted from their custodial account(s). Both APO's Investment Advisory Agreement and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of APO's investment advisory fee and to directly remit that management fee to APO in compliance with regulatory procedures. In the limited event that APO bills the client directly, payment is due upon receipt of APO's invoice. APO shall deduct fees and/or bill clients quarterly in arrears, based upon the market value of the assets on the last business day of the preceding quarter, with the exception of the initial month of engagement for which APO may charge in arrears.

Unless the client directs otherwise or an individual client's circumstances require, APO shall generally recommend Axos Advisor Services as the broker-dealer/custodian for client investment management assets. Broker-dealers charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to APO's investment management fees, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).

The Investment Agreement between APO and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the Investment Agreement.

Upon termination, APO shall refund the unearned prorated portion of the advanced fee paid based upon the number of days remaining in the billing quarter.

Other than the commissions from insurance as discussed above in item 4, neither APO, nor its representatives, accepts compensation from the sale of securities or other investment products.

**Financial Planning and Consulting Services.** APO's planning and consulting fees are negotiable and may be complementary at APO's discretion, but generally range from \$999 to \$10,000 when charged on a fixed fee basis or up to \$500 per hour when charged on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s).

**Educational Seminars.** While certain Educational Seminars may be complementary at APO's discretion, generally Educational Seminars attendees may be assessed a fee ranging from \$40 to \$100. The workshop fee will be announced in advance and will be determined by the length of the event, the number and expertise of the presenters involved, and whether or not educational materials are being provided. Payment will be due in advance of the first session.

#### **Item 6            Performance-Based Fees and Side-by-Side Management**

Neither APO, nor any supervised person of APO, accepts performance-based fees and therefore APO does not engage in side-by-side management.

#### **Item 7            Types of Clients**

APO's clients shall generally include individuals and business entities. APO does not generally require a minimum asset level for investment services. APO, in its sole discretion, may charge a lesser investment management fee and/or reduce and/or waive its minimum asset level requirement based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

#### **Item 8            Methods of Analysis, Investment Strategies and Risk of Loss**

Each Advisor may create his or her own unique portfolios for clients and there are no "standard" portfolios. We customize investment strategies based upon individual needs, goals and objectives developed in conjunction with the client. We primarily offer advice on equity securities, ETFs, corporate debt securities (other than commercial paper), certificates of deposit, municipal securities, U.S. government securities and mutual fund shares. Our Advisors may take a

fundamental, technical or cyclical analysis approach when analyzing securities. Investment selection may be based upon data provided by Morningstar Investor Services or other performance surveys. We also base our analysis on information obtained from financial newspapers and magazines, professional research materials, annual reports, prospectuses, filings with the SEC, and company press releases. There is always a risk that our analysis may be flawed because of missing, inaccurate or misleading information. We explain to our clients that investing in securities involves risk of loss that they must be prepared to bear.

We may recommend alternative investments (also known as limited partnerships, hedge funds, private equity, or direct investments) to accredited clients. Such alternative investments carry a significant risk of loss, including total loss of investment. Recommendations for investments in alternative investments will only be made when appropriate to accredited investors and cannot be made on a discretionary basis. Clients must directly subscribe to the alternative investment. Unregistered investments are illiquid and may be difficult to value accurately in the first few years of their existence. Some require holding periods of 5 to 10 years. They may use significant leverage, which can increase potential gains as well as potential losses. Unregistered investments can be difficult to accurately price (mark to market) and value. They may offer less transparency into the underlying investments and do not offer investors the same protection as registered investments. For this reason they carry significant risks, including the risk of fraud. Only sophisticated investors who can bear a loss of investment should invest in unregistered investments.

### Technical Analysis

Technical analysis involves the examination of past market data rather than specific company data in determining which securities to buy/sell. Technical analysis may involve the use of various quantitative-based calculations, variation metrics and charts to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of a company. These trends may include put/call ratios, pricing trends, moving averages, volume, and changes in volume, among many others. These trends, both short and long-term, are used for determining specific trade entry and exit points and broad economic analysis.

### Cyclical Analysis

Cyclical analysis is similar to technical analysis in that it involves the assessment of market conditions at a macro (e.g., the entire market/economy) or micro (e.g., company specific) level, rather than the overall fundamental analysis of the health of a particular company. Cyclical analysis involves the historical patterns and trends of securities, markets or economies as a whole in an effort to determine future behaviors, the estimation of price movement and an evaluation of

a transaction before entry into the market in terms of risk and profit potential.

### Fundamental Analysis

Fundamental analysis is a method of evaluating a security in an attempt to assess its intrinsic value by examining related economic, financial, and other qualitative and quantitative factors. Fundamental analysts study anything that can affect the security's value, including macroeconomic factors (e.g. economy and industry conditions) and microeconomic factors (e.g. financial conditions and company management). The end goal of fundamental analysis is to produce a quantitative value that an investor can compare with a security's current price, thus indicating whether the security is undervalued or overvalued.

Investing in securities involves risk of loss that each client should be prepared to bear. The value of a client's investment may be affected by one or more of the following risks, any of which could cause a client's portfolio return, the price of the portfolio's shares or the portfolio's yield to fluctuate:

**Market Risk.** The value of portfolio assets will fluctuate as the stock or bond market fluctuates. The value of investments may decline, sometimes rapidly and unpredictably, simply because of economic changes or other events that affect large portions of the market.

**Management Risk.** A client's portfolio is subject to management risk because it is actively managed. APO will apply its investment techniques and risk analysis in making investment decisions for a client's portfolio, but there is no guarantee that these techniques and APO's judgment will produce the intended results.

**Quantitative Tools Risk.** Some of APO's investment techniques may incorporate, or rely upon, quantitative models. There is no guarantee that these models will generate accurate forecasts, reduce risks or otherwise produce the intended results.

**Interest Rate Risk.** Changes in interest rates will affect the value of a portfolio's investments in fixed-income securities. When interest rates rise, the value of investments in fixed-income securities tend to fall and this decrease in value may not be offset by higher income from new investments. Interest rate risk is generally greater for fixed-income securities with longer maturities or durations.

**Credit Risk.** An issuer or guarantor of a fixed-income security, or the counterparty to a derivatives or other contract, may be unable or unwilling to make timely payments of interest or principal, or to otherwise honor its obligations. The issuer or guarantor may default causing a

loss of the full principal amount of a security. The degree of risk for a particular security may be reflected in its credit rating. There is the possibility that the credit rating of a fixed-income security may be downgraded after purchase, which may adversely affect the value of the security. Investments in fixed-income securities with lower ratings tend to have a higher probability that an issuer will default or fail to meet its payment obligations.

**Allocation Risk.** The allocation of investments among different asset classes may have a significant effect on portfolio value when one of these asset classes is performing more poorly than the others. As investments will be periodically reallocated, there will be transaction costs which may be, over time, significant. In addition, there is a risk that certain asset allocation decisions may not achieve the desired results and, as a result, a client's portfolio may incur significant losses.

**Foreign (Non-U.S.) Risk.** A portfolio's investments in securities of non-U.S. issuers may involve more risk than those of U.S. issuers. Their securities may fluctuate more widely in price and may be less liquid due to adverse market, economic, political, regulatory or other factors.

**Emerging Markets Risk.** Securities of companies in emerging markets may be more volatile than those of companies in developed markets. By definition, markets, economies and government institutions are generally less developed in emerging market countries. Investment in securities of companies in emerging markets may entail special risks relating to the potential for social instability and the risks of expropriation, nationalization or confiscation. Investors may also face the imposition of restrictions on foreign investment or the repatriation of capital and a lack of hedging instruments.

**Capitalization Risk.** Investments in small- and mid-capitalization companies may be more volatile than investments in large-capitalization companies. Investments in small-capitalization companies may have additional risks because these companies have limited product lines, markets or financial resources.

**Issuer Specific Risk.** The value of an equity security or debt obligation may decline in response to developments affecting the specific issuer of the security or obligation, even if the overall industry or economy is unaffected. These developments may comprise a variety of factors, including, but not limited to, management issues or other corporate disruption, political factors adversely affecting governmental issuers, a decline in revenues or profitability, an increase in costs, or an adverse effect on the issuer's competitive position.

**Legal or Legislative Risk.** Legislative changes or court rulings may impact the value of

investments or the securities' claim on the issuer's assets and finances.

APO's methods of analysis and investment strategies do not present any significant or unusual risks.

APO's securities analysis methods rely on the assumption that the companies whose securities the firm purchases and sells, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While the firm is alert to indications that data may be incorrect, there is always the risk that the analysis may be compromised by inaccurate or misleading information.

### Technical Analysis

The primary risk in using technical analysis is that spotting historical trends may not help predict such trends in the future. Even if the trend will eventually recur, there is no guarantee that APO will be able to accurately predict such a reoccurrence.

### Cyclical Analysis

The primary risk of cyclical analysis is that economic/business cycles may not be predictable and may have many fluctuations between long-term expansions and contractions. The lengths of economic cycles may be difficult to predict with accuracy and therefore, there is an attendant difficulty in predicting economic trends. Consequently, the changing value of securities that would be affected by these changing trends.

## **Risks Associated with Specific Securities Utilized**

### Equity Securities

The major risks associated with investing in equity securities relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk and the company's ability to create shareholder value (e.g., increase the value of the company's stock price).

### Exchange Traded Funds

ETFs are subject to risks similar to those of stocks. Investment returns will fluctuate and are subject to market volatility, so that when shares are sold they may be worth more or less than

their original cost. ETF shares are bought and sold at market price (not Net Asset Value) and are not individually redeemed from the fund. ETFs purchased at a premium may not yield a premium upon sale.

### Equity Mutual Funds

The major risks associated with investing in equity mutual funds is similar to the risks associated with investing directly in equity securities, including market risk, which is the risk that investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost. Other risks include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification and the type and amount of sector diversification within specific industries. In addition, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold their shares in the fund.

### Fixed-Income Mutual Funds

In addition to the risks associated with investing in equity mutual funds, fixed-income mutual funds also carry the following risks:

Credit Risk – the risk that a company or bond issuer may fail to pay principal and interest payments in a timely manner.

Interest Rate Risk – the risk that the market value of the bonds will go down when interest rates rise.

Prepayment Risk – the risk that a bond will be paid off early.

### Indexed Funds

Indexed Funds have the potential to be affected by “tracking error risk” which means a deviation from a stated benchmark index. Since the core of a portfolio may attempt to closely replicate a benchmark, the source of the tracking error (deviation) may come from a “sample index” that may not closely align the benchmark. In addition, while many index mutual funds are known for their potential tax efficiency and higher “qualified dividend income” (QDI) percentages, there are assets classes within these funds or holding periods that may not benefit. Shorter holding

periods, as well as commodities and currencies that may be part of a fund's portfolio, may be considered "non-qualified" under certain tax code provisions.

## **Item 9           Disciplinary Information**

APO has no disciplinary actions to disclose.

## **Item 10           Other Financial Industry Activities and Affiliations**

A.     Neither APO nor its Management persons are registered or have an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

B.     Neither APO, nor its Management persons, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trader or a representative of the foregoing.

C.     Affiliations

You should be aware that your APO Advisor Representative may be engaged in other business activities which are disclosed in your APO Advisor's Part 2B: Brochure Supplement. Some activities may be deemed a conflict of interest. Your APO Advisor is prohibited from engaging in any practice that could jeopardize or disadvantage a client or a client account(s). Accordingly, each advisor is further required to acknowledge and adhere to the policies and procedures mandated within the firm's Code of Ethics. (Please see Item 11 for further information regarding the Code of Ethics).

1. Broker Dealer: No..
2. Investment Company: No.
3. Another Investment Advisor: No.
4. Futures Commission, merchant, commodity pool operator, or commodity trader: No
5. Bank of Thrift: No
6. Accountant or accounting firm: No
7. Lawyer or law firm: No
8. Insurance Company: APO is affiliated with two insurance agencies: Asset Protect One Inc and APO Financial Inc. which are owned by Brian E. Gray and John M. Goodhue. Fixed insurance product sales may be conducted through Asset Protect One, Inc. and APO Financial Inc. Brian E. Gray and John M. Goodhue share profits of the insurance agencies and are compensated through payment of commissions when insurance products are sold through the entities. While Mr. Gray and Mr. Goodhue must endeavor at all times act in the

clients best interest as part of APO's fiduciary duty, clients should be aware a material conflict of interest exists as they have a financial incentive to recommend products to clients for the purpose of generating commissions, rather than solely based on client needs. Clients always have the right to decide whether to purchase insurance products offered through Asset Protect One, Inc. and APO Financial Inc. or any of its agents, employees or owners. APO will exercise its fiduciary duty in regard to any sale of such insurance products and clients are reminded that they have the right to decide whether to act on any such recommendations to purchase any insurance products from anyone they so choose.

- 9. Consultant: No
- 10. Real Estate Broker: No
- 11. Sponsor or syndicator of limited partnerships: No
- 12. Mortgage Broker: No

D. Recommendation or Selection of Other Investment Advisers

APO does not recommend or select other investment advisors for clients.

**Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

A. APO maintains a policy relative to personal securities transactions. This policy is part of APO's overall Code of Ethics, which serves to establish a standard of business conduct for all of APO's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940 and similar state statutes and rules, APO also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by APO or any person associated with APO.

B. Neither APO nor any related person of APO recommends, buys, or sells for client accounts, securities in which APO or any related person of APO has a material financial interest.

C. APO and/or representatives of APO *may* buy or sell securities that are also recommended to clients. This practice may create a situation where APO and/or representatives of APO are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could

take place if APO did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, “front-running” (i.e., personal trades executed prior to those of APO’s clients) and other potentially abusive practices.

APO has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of APO’s “Access Persons”. APO’s securities transaction policy requires that the Access Person of APO must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person’s current securities holdings at least once each twelve (12) month period thereafter on a date APO selects; provided, however, that at any time that APO has only one Access Person, he or she shall not be required to submit any securities report described above.

D. APO and/or representatives of APO *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where APO and/or representatives of APO are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. As indicated above in Item 11.C, APO has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of APO’s Access Persons and are not permitted to front run or disadvantage trading for client accounts.

## **Item 12        Brokerage Practices**

A. In the event that the client requests that APO recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct APO to use a specific broker-dealer/custodian), APO generally recommends that investment management accounts be maintained at Axos Advisor Services. Prior to engaging APO to provide investment management services, the client will be required to enter into a formal Investment Agreement with APO setting forth the terms and conditions under which APO shall manage the client’s assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that APO considers in Axos Advisor Services (or any other broker-dealer/custodian to clients) include historical relationship with APO, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by APO’s clients shall comply with APO’s duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where APO determines, in good faith, that the commission/transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but

whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although APO will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, APO's investment management fee. APO's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

#### 1. Research and Soft Dollars

"Soft dollars" are defined as a form of payment that investment advisers can use to pay for goods and services such as news subscriptions or research. When an investment adviser gives its business to a particular brokerage firm, the brokerage firm in return can agree to use some of its revenue to pay for these types of services. APO receives some economic benefits from Axos Advisor Services that are typically not available to retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving our participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to us by third party vendors. Clients do not pay more for investment transactions effected and/or assets maintained at Axos Advisor Services as a result of this arrangement. There is no corresponding commitment made by APO to Axos Advisor Services or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement. However, the receipt of such these benefits represent an incentive for APO to recommend Axos Advisor Services or over other custodians for brokerage services. We believe our recommendation of Axos Advisor Services is appropriate for clients based on the services they provide and the fees they charge.

2. APO does not receive referrals from broker-dealers.

3. APO does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that

broker-dealer, and APO will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by APO. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

**Please Note:** In the event that the client directs APO to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through another custodian.

B. To the extent that APO provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless APO decides to purchase or sell the same securities for several clients at approximately the same time. APO may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among APO's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. APO shall not receive any additional compensation or remuneration as a result of such aggregation.

### **Item 13      Review of Accounts**

A. For those clients to whom APO provides investment supervisory services, account reviews are conducted on an ongoing basis by APO's Principals and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise APO of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are requested to review financial planning issues (to the extent applicable), investment objectives and account performance with APO on an annual basis.

B. APO may conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.

C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian for the client accounts..

## **Item 14            Client Referrals and Other Compensation**

A. APO and/or representatives of APO who are registered representatives of a broker dealer may receive compensation in the form of commissions when an investment advisory client's investments are placed through a broker dealer.

As referenced in Item 12.A.1 above, APO receives an indirect economic benefit from Axos Advisor Services. APO, without cost (and/or at a discount), may receive support services and/or products from Axos Advisor Services.

APO's clients do not pay more for investment transactions effected and/or assets maintained at Axos Advisor Services as a result of this arrangement. There is no corresponding commitment made by APO to Axos Advisor Services or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

B. APO may enter into solicitor agreements and may recommend clients to certain unaffiliated investment advisers. In such instances, APO acts as a solicitor and receives a portion of the fee paid to the unaffiliated adviser. This does not raise the fee paid by the client and the client receives all required disclosure forms disclosing the terms of the solicitor relationship at the time the solicitation is made. We are aware of the special considerations promulgated pursuant to the Solicitor's Rule 206(4)-3 of the Investment Advisers Act of 1940, and any comparable state regulations. As such, appropriate disclosures will be made to our clients, all required written records will be maintained, and all applicable laws and regulations will be observed. A Solicitor's Disclosure Document will be provided to each client by the investment adviser representative, as required under the Rule.

APO does not compensate any party for client referrals.

## **Item 15            Custody**

APO is deemed to have custody only because it shall have the ability to have its fee for each client debited directly by the custodian on a quarterly basis from client accounts. Physical custody of client assets will be maintained with the independent custodian. APO will not have physical custody of any assets in the client's account except as permitted for payment of advisory fees. Clients will be solely responsible for paying all fees or charges of the custodian. The client will be asked to authorize APO with the ability to deduct fees directly from the client's account. This authorization will be to deduct our management fee only. APO will send

the custodian an invoice specifying the amount of the management fee to be deducted from the client's account and also the client an invoice specifying and itemizing the fee. The itemization includes the formula used to calculate the fee, the amount of assets under management the fee is based on, and the time period covered by the fee. The Client's custodian will also send at least quarterly statements to the client showing all distributions for the Client's account, including the management fee. Client is urged to compare any statement or report provided by APO with the account statements from the account custodian and notify APO of any discrepancies.

#### **Item 16          Investment Discretion**

Client will provide APO with limited-powers and authority to manage accounts using our own discretion. We act as your agent, with respect to your account(s): To make all investment decisions; and to buy, sell and otherwise trade in securities or other related investments.

Discretion and authority includes the following: asset allocation; security selection; and selection and appointment of subadvisors.

You may place reasonable restrictions on your account(s) through the use of written instructions to us ("Client Instructions"). This includes which individual securities to buy or sell. You may place these restrictions in the form of limitations on a specific security or broad categories of securities. You may also choose to have your accounts managed on a non-discretionary manner.

Investment Discretion does not authorize the following and therefore we must receive your written approval before: investing in privately offered securities, purchasing insurance contracts, investing in alternative investments, and opening or closing custodial accounts.

#### **Item 17          Voting Client Securities**

APO typically does not vote on client proxies. APO will notify clients in the event it elects to vote on a proxy. Clients may maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.

Clients will typically receive their proxies or other solicitations directly from their custodian. Clients may contact APO to discuss any questions they may have with a particular solicitation.

**Item 18            Financial Information**

A. APO does not solicit fees of more than \$500, per client, six months or more in advance.

B. APO does not have any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.

C. APO has not been the subject of a bankruptcy petition.

**Item 19            Requirements for State Registered Advisors**

This Section does not apply to our firm.